

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01

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R 181725Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9079

INFO AMEMBASSY PARIS

USDEL MTN GENEVA

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PASS AGRICULTURE AND STR

E.O. 11652: N/A

TAGS: EAGR, EEC

SUBJECT: COGNAC PRICE BREAK AND LINKAGE WITH IMPORT TREATMENT OF
OTHER PRODUCT

REF: (A) PARIS 15667; (B) STATE 121160; (C) EC BRUSSELS 4104;
(D) STATE 128171 (1974); (E) EC BRUSSELS 4632

1. OUR UNDERSTANDING OF THE SITUATION IS THAT THE
US INCREASED THE PRICE BREAK FROM \$9 TO \$17 ON COGNAC IMPORTS AS A
TEMPORARY, UNILATERAL ACTION QUOTE TO ENCOURAGE THE RESOLUTION OF OUT

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STANDING TRADE DISPUTES BETWEEN THE US AND THE EC, INCLUDING REMOVAL
OF UNREASONABLE IMPORT RESTRICTIONS ON POULTRY UNQUOTE (REF. B). TH
IDEA BEHIND THIS FORMULA WAS TO ATTEMPT TO INITIATE NEGOTIATIONS
LOOKING TO THE UNDOING OF THE CONSEQUENCES OF THE "CHICKEN
WAR". WHATEVER THE LANGUAGE USED, WE THINK IT WAS UNDERSTOOD BY BOTH

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SIDES THAT IMPROVEMENT IN THE EC TREATMENT OF US POULTRY IMPORTS

WOULD BE DEVELOPED AT SOME STAGE AS COMPENSATION FOR REVERSING OUR RETALIATORY ACTION.

2. IN CONSIDERING THIS ISSUE, ACCOUNT SHOULD BE TAKEN OF THE FEELING OF OTHER EM MEMBER STATES AFFECTED BY THE CHICKEN WAR RETALIATORY ACTION THAT THEIR PROBLEMS SHOULD ALSO BE TAKEN INTO ACCOUNT. FOR EXAMPLE, THE DUTCH PERMREP LOSES NO OPPORTUNITY TO REPEAT TO AMBASSADOR GREENWALD THAT THE NETHERLANDS CONSIDERS THAT THE US ACTION ON COGNAC IN 1974 WITHOUT PARALLEL ACTION ON DUTCH STARCH WAS UNFAIR AND THAT THEY EXPECT US TO DO SOMETHING FOR THEIR STARCH EXPORTS TO THE US. HE HAS PERSISTED IN THESE INFORMAL REPRESENTATIONS DESPITE EXPLANATIONS THAT INFLATION HAS UNDERCUT THE BENEFITS OF THE INCREASED COGNAC PRICE BREAK LEVEL AND THAT THERE WAS NO COMMITMENT TO REVERSE ALL THE RETALIATORY ACTION. GREENWALD

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